

STATE LIBRARY OF PENNSYLVANIA  
docs.pa PY C652.1 1937  
Report of the Anthracite Coal



0 0001 00143001 4

PY C652.1  
1937

cop.1

CLASS ~~P30.7~~

BOOK ~~4.987~~

VOLUME ~~1937~~



PENNSYLVANIA  
STATE LIBRARY







Digitized by the Internet Archive  
in 2016



REPORT  
*of the*  
Anthracite Coal Industry  
Commission



May 15, 1937

P387  
4.985  
copy 2

PY C652.1

1937



May 15, 1937

Hon. George H. Earle,  
Governor of Pennsylvania,  
Harrisburg, Pa.

Dear Sir:

I beg leave to hand you herewith the Ad Interim Report of the Anthracite Coal Industry Commission.

The Report consists of three parts, as follows:

- (1) Report of Chairman W. Jett Lauck and Commissioner James W. Angell.

This Report is divided into two main sections.

As to the problem of illegal mining, it holds that the provision of sufficient additional employment in the collieries to absorb a substantial proportion of the men now engaged in illegal mining is essential to put a permanent stop to illegal mining itself; and that in view of the present attitude of the operators, the duty devolves upon the Commonwealth of adopting a constructive program to provide such additional employment.

A specific and detailed recommendation is made for establishing such a program. It is a proposal to create a Commonwealth-owned corporation; financed primarily by the sale of its own corporate bonds, and free from political influences; this corporation being authorized to lease or acquire lands and collieries and to operate the same in the bootleg areas. When sufficient employment opportunities have thus been created to employ about three thousand men, it is further recommended that

L5C4544

the Governor shall issue a proclamation, and take proper measures to end illegal mining. The Report holds that under such a policy illegal mining will disappear and danger of disorder and bloodshed will be avoided.

Since the state-owned corporation would produce a tonnage not greater than that now produced and sold by the so-called bootleg industry, it is held that such procedure would not constitute unfair competition by the Commonwealth against the anthracite industry, but would be in fact an enlightened relief project. For this reason also, and in the light of the further fact that the operators consider the continuance of illegal mining a menace to the entire industry, the Report also recommends the placing of a small tonnage tax on anthracite produced for commercial purpose for a period of two years, the proceeds to be used by the Commonwealth in purchasing the entire stock of the corporation and thus to provide the corporation with initial capital.

In the second place this Report holds that the permanent solution of illegal mining is dependent on a general rehabilitation of the anthracite industry - a rehabilitation also judged necessary to the permanent prosperity of the anthracite industry and anthracite mining communities. It further holds that to accomplish this end some form of constructive action by the Commonwealth or the federal government, or both, is essential. In this connection it reviews plans now being considered and states that final recommendations as to a permanent constructive policy will be made at a later date.

(2) Report of Commissioners Harrison Hoblitzelle and W. R. Lynett:

This report disagrees fundamentally with the foregoing report both as to the solution of the illegal bootleg mining problem and as to the general rehabilitation of the anthracite industry. With respect to the latter problem, it holds that action by the Commonwealth is unnecessary. It also holds that if such action were in fact attempted, it would be unsuccessful, and would subject the Commonwealth and the anthracite industry to large and indefensible financial losses. It recommends only the application of a modified Guffey Act to the anthracite industry.

As to the solution of illegal mining, the report holds that the provision of additional direct and work relief and the like, and the re-validation of the ordinary legal processes and compulsions will suffice to solve the problem in a peaceful way.

(3) Report of Commissioner Morris L. Ernst.

This report consists of an elaborate and extensive review accompanied by critical comments and general recommendations.

As to a constructive policy it states:

"The problem of bootlegging is interwoven with that of the industry as a whole. Specific attention has been accorded the bootleg situation; but the more intensely it is studied, the clearer it becomes that the bootleg problem is merely a phase or symptom of a disease; it may be alleviated by piecemeal measures, but it or some similar trouble is likely to recur so long as the industry as a whole is not restored to health. On the central job - reform of the industry - shortness of time prevents the submission of any single recommendation or the preparation of legislation incorporating such recommendation. I am in substantial agreement with Mr. Lauck and Mr. Angell as to certain lines of inquiry that may prove profitable and with their ultimate objectives. I differ from them however in various important details which may become most important in the attainment of the results sought. Moreover I have not been able to examine fully their legislative proposal, tax program, fiscal items, etc. relating to the corporate entity referred to in their report."

With sincere regret that the Commission was unable to reach a more unified series of recommendations, but trusting that the results of our investigations and conclusions to date may be of real assistance to you, I am,

Sincerely yours,

  
Chairman

WJL/M

COMMONWEALTH OF PENNSYLVANIA

AD INTERIM REPORT OF THE

ANTHRACITE COAL INDUSTRY COMMISSION

MAY 15, 1937

## GENERAL CONTENTS

- PART I      REPORT BY W. JETT LAUCK AND JAMES W. ANGELL
- PART II     REPORT BY HARRISON HOBLITZELLE AND W. R. LYNETT
- PART III    REPORT BY MORRIS L. ERNST
- 
- APPENDIX    SUMMARY of SAMPLE RESULTS FROM THE CENSUS OF  
              ILLEGAL MINING.

PART I

REPORT BY

W. JETT LAUCK

AND

JAMES W. ANGELL

## C O N T E N T S

|  | Page |
|--|------|
| <u>Part I.</u> Purpose and Scope of the Commission's Work                                |      |
| to Date . . . . .  | 1    |
| I. Instructions of the General Assembly and<br>the Governor. . . . .                     | 1    |
| II. Scope of the Commission's Work. . . .  | 2    |
| III. General Character of the Commission's<br>Ad Interim Report . . . . .                | 2    |
| IV. Summary of Report by W. Jett Lauck and<br>James W. Angell . . . . .                  | 3    |
| <u>Part II.</u> Illegal Mining . . . . .   | 5    |
| 1. The Facts . . . . .   | 5    |
| II. Proposals to End Illegal Mining . . .  | 7    |
| 1. Voluntary action by the Operators   | 7    |
| 2. The Operator's own program . . .  | 9    |
| 3. Objections to this program . . .  | 9    |
| 4. Equalization and spreading of work  | 10   |
| 5. The development of new industries   | 11   |
| 6. Large-scale emigration . . . . .  | 11   |
| 7. Recommendation: Action by the<br>Commonwealth . . . . .                               | 11   |
| <u>Part III.</u> The Rehabilitation and Expansion of the<br>Anthracite Industry. . . . . | 17   |
| 1. The Acute Depression in the Anthracite<br>Industry . . . . .                          | 17   |
| II. Broad Objectives . . . . .   | 20   |



|  | Page |
|--|------|
| III. The Rehabilitation of the Anthracite Industry.                              | 21   |
| 1. General prerequisites for an enduring expansion of output.....                | 21   |
| 2. The justification for government intervention in the anthracite industry..... | 23   |
| 3. Forms of government intervention now under consideration.....                 | 25   |
| IV. The Transfer of Surplus Workers from the Anthracite Regions.....             | 28   |
| V. Proposal for a Federal Fuel Board.....  | 30   |
| Part IV. Plans for Further Work.....   | 30   |

#### Appendices

|  |    |
|--|----|
| I. Proposals for Commonwealth acquisition of collieries to end present illegal mining..... | 35 |
| II. Proposed draft of legislation.....   | 42 |

PART I. PURPOSE AND SCOPE OF THE COMMISSION'S  
WORK TO DATE

I. INSTRUCTIONS OF THE GENERAL ASSEMBLY AND THE GOVERNOR

Under Section 2 of the Act of the General Assembly of Pennsylvania approved February 16, 1937, creating the Anthracite Coal Industry Commission (House of Representatives No. 66, Session of 1937), it was declared to be the duty of the Commission

"to make a careful and thorough study and investigation of the economic and social conditions in the anthracite coal region of this Commonwealth, the causes underlying the present dislocation of the anthracite coal mining industry, the extent of illegal mining and the causes therefor, the methods and means by which the existing economic and social conditions in said district may be alleviated or remedied and such other matters and affairs as may be deemed pertinent by the Commission in order to carry into effect the intent of this act to secure reliable and accurate facts concerning actual conditions with respect to the anthracite coal region and the coal mining industry therein."

And further, under Section 4 of the Same Act, it was declared that

"The Commission shall make a report of its findings and recommendations to the Governor before the adjournment of the General Assembly of one thousand nine hundred and thirty-seven containing such drafts of legislation if any as the Commission deems necessary to carry into effect the provisions of this act."

When the present Commission was appointed by the Governor under this Act, the Governor and the Commission were agreed that because of the shortness of the remaining time, the Commission could not complete its task before the adjournment of the General Assembly. It was agreed and

understood, in consequence, that the Commission should submit such recommendations as it could agree upon before the adjournment of the General Assembly; and that it should complete its investigations and draft legislation as rapidly as possible thereafter.

## II. SCOPE OF THE COMMISSION'S WORK

The Commission has held extended private hearings with representatives of all the groups directly involved, has held public hearings throughout the regions chiefly affected by illegal mining, has collected and begun to study carefully large quantities of documentary material, and has now in process a complete survey and census of illegal mining operations. It has also inaugurated original studies of various other special problems of the anthracite industry. The present ad interim report is based on the above sources of information and on the Commission's conclusions therefrom. The Commission has not as yet had time to investigate the problem of surface subsidence.

## III. GENERAL CHARACTER OF THE COMMISSION'S

### AD INTERIM REPORT

A profound cleavage of opinion has arisen within the membership of the Commission, both with respect to the treatment of the bootleg problem and with respect to the general rehabilitation of the anthracite industry as a whole. The differences of opinion are so deep, so tenaciously and

honestly held, that it has not been possible to develop even a semblance of unanimity on more than a few of the larger problems and alternative policies which confront the Commission. With great regret that this should be the case, the Commission therefore finds itself unable to submit a unanimous report.

#### IV. SUMMARY OF THE REPORT BY W. JETT LAUCK AND JAMES W. ANGELL

The report that now follows has been prepared by W. Jett Lauck, Chairman, and James W. Angell. A separate report by Morris L. Ernst, and another separate report by Harrison Hoblitzelle and W.R. Lynett, are attached hereto and form an integral part of the Commission's ad interim report.

On the problem of illegal mining, for reasons given below, we believe that the provision of sufficient additional employment in the collieries to absorb a substantial proportion of the men now engaged in illegal mining is essential to put a permanent stop to illegal mining itself; and that in view of the present attitude of the operators, action of some sort by the Commonwealth must be resorted to to provide such additional employment. A specific plan for such action will be presented below. We do not believe that any other measures which are both within the financial capacity of the Commonwealth, and which will command public support, are likely to prove successful.

We also believe that the permanent termination of illegal mining is likewise dependent on a general rehabilitation of the anthracite industry itself, --a rehabilitation also judged highly desirable on other grounds, --and believe that

to accomplish this end some form of action by the Commonwealth is again essential. The plans now being considered will be outlined below.

## PART II. ILLEGAL MINING

### I. THE FACTS

The immediate cause for the creation of the present Commission is the development of extensive bootlegging of anthracite, or the mining and sale of stolen coal, in the Schuylkill fields since 1932. The Commission now has under way an exhaustive investigation of bootlegging, which it believes will yield accurate details. The general character of the bootleg situation, however, is agreed to by all interested parties.

It is believed that between 12 thousand and 14 thousand men are now more or less regularly engaged during the winter months in mining coal illegally. Of these a substantial proportion, probably more than half, were formerly employed in legitimate mining. In addition, about 6 thousand men and boys are engaged in breaking the stolen coal, in trucking it, and in distributing it to markets as far away as Baltimore and southern New England. The quantity sold in 1935 and 1936 has been estimated at around 4 million tons a year, with a sales value of above \$30 million a year. This tonnage is equal to roughly 8% of the present output of the legal mines, and has undeniably cut heavily into the markets of the legal mines themselves. Further facts as to the average age, nationality, previous employment, etc. of the illegal miners, as indicated by preliminary results of the Commission's census, are given in an Appendix to the Commission's Ad Interim Report.



The bootleg coal is produced under conditions substantially less safe than those prevailing in the legal mines, and with a substantially higher proportion of accidents. In a good many cases the bootleg mining has imperilled adjacent legal mines, or has made adjacent coal unworkable, or has endangered surface structures and roads. The bootleggers pay no royalties, no property taxes, and make no provision for compensation in case of accident.

There is no dispute on the legal standing of bootlegging. The bootleg miners are trespassers and are stealing property, and the bootleg breakers and truckers are handling stolen goods. It is alleged in defense, however, that the right of human beings to live is superior to legal property rights strictly construed. This defense is valid in principle, but does not apply in full to the present circumstances. It is true, however, that government relief, W.P.A. and similar payments have frequently been very low on a per capita basis, and often wholly inadequate to support what the miner regards as a minimum decent standard of living. It is also obvious that receiving relief in return for doing nothing must be distasteful to any self-respecting able-bodied man. Nor is employment in other local industries, which are relatively few and small, available in sufficient volume to absorb more than a small fraction of the idle miners. It is therefore not impossible to understand how men who are otherwise honest and law-abiding citizens, but who found themselves thrown out of work through no fault of their own, came to resort to bootleg mining. The mining and sale of stolen coal is merely one acute symptom among many of a depressed condition throughout

the whole anthracite industry, which has been cumulative since 1926.

Efforts to stop bootlegging in the Schuylkill fields by resort to the ordinary legal processes have this far been almost wholly unsuccessful, except where surface buildings and roads or the operations of adjacent legal mines were in immediate danger. This breakdown of the legal process is explained both by the fact that a majority of the communities affected and even the local judiciary have apparently been sympathetic to the bootleggers, and by the real threat of mass violence in certain cases.

## II. PROPOSALS TO END ILLEGAL MINING

It is obvious that bootlegging cannot be allowed to continue indefinitely. Such a policy will impose still larger losses on the legal owners and operators, will not help the bootleg miners, and will imperil the whole structure of law and order in the regions affected. The bootleg situation will not cure itself. Nor does it seem probable that the mere working-out of easily accessible coal will put an end to illegal mining in the near future.

The Commission has therefore considered a wide range of proposals for the solution of the bootleg problem, and has itself conducted extensive negotiations in an attempt to find a basis for action. The principal channels which it has explored are indicated in the following paragraphs.

1. Voluntary action by the operators. The Commission has exhausted every effort to secure the cooperation of the operators in dealing with the bootleg problem. The Commission was agreed that if the operators would undertake in advance to



employ even a few thousand additional men in the bootleg regions for a period of a year, the Commission would then recommend immediate closing of the bootleg holes by the Commonwealth. The Commission believed that recapture of the markets now held by bootleg coal would enable the operators to come out without substantial financial loss to themselves from giving this increased employment; and that the gesture of voluntary re-employment would so strongly arouse favorable public opinion in the bootleg regions that the bootleg holes would be closed without precipitating serious disorder or bloodshed.

The operators as a whole have been unwilling to accept the Commission's suggestions, or to advance any alternative plan of their own which would accomplish a similar result. They allege grave doubt as to the extent to which they can recapture the markets now held by bootleg coal, even if bootlegging is completely stopped. This view, however, does not seem to be fully in accord with the operators' own statements that the bootleggers have developed no new markets. The operators also point out the undisputed fact that the number of men in the bootleg region who were formerly employed in legal mines, but who are not now engaged in bootlegging, is at least twice as great as the number of such miners who are engaged in bootlegging; and they assert that to draw off the present bootleggers into legal-mine employment is merely to invite other unemployed miners to come into the bootleg holes thus vacated. Since the Commission's proposal was predicated on the closing of the bootleg holes by the Commonwealth, this latter argument

is not wholly convincing. The majority of the Commission also feels that it would definitely be to the operators' own financial advantage to accept some such proposal as the Commission has made to them. Their real choice is not between making profits in their present situation and risking small losses under the Commission's proposal. It is between risking small and probably temporary losses under the Commission's proposal, and taking large assured losses from the further theft of coal and the further demoralization of their nearer markets by bootleg sales.

2. The operators' own program. The operators' own program is, in brief, as follows: (1) The Commonwealth shall proclaim that on and after a specified date bootlegging shall cease, and where necessary shall take action to secure enforcement; (2) A complete census of bootleggers shall be taken; (3) Relief shall be provided to those bootleggers who come originally from the anthracite regions, and especially to those previously employed in the anthracite industry, as determined by the census; (4) The operators will employ additional men as markets expand or as present employees drop out, without discrimination because of former bootlegging activities.

3. Objections to this program. The signers of the present report are completely convinced that in the present factual situation, these measures alone will be wholly inadequate to end bootlegging without violence. The Federal Government is now reducing its aggregate outlays for relief and re-employment, not increasing them, while the Commonwealth of Pennsylvania is not in position to take over the whole burden itself except at great sacrifice. The Commonwealth would probably also incur an enormous

additional financial burden for the continued maintenance of armed forces in the present bootleg areas, to keep the bootleg holes from being reopened. The combined Commonwealth and Federal outlays for relief and works projects in Schuylkill and Northumberland Counties alone, for 1936, were greater than the comparable combined outlays for the entire State of Maine, which has twice the population, in 1936. Moreover, any intelligent program must take account both of the creditable reluctance of the mining population to accept relief or "made work" except when the alternative is starvation, and their reluctance or inability to move to other parts of the country.

We are therefore convinced that if all that is done is to offer the present bootleggers relief and the like, in amounts that must inevitably be inadequate, and if the bootleg holes are thereafter forcefully closed by the Commonwealth, the bootleg miners will not be persuaded of the justice of the action; public opinion in the bootleg regions will remain hostile; and the exercise of overt force in closing the bootleg holes is then likely to be the signal for violence and disorder.

4. Equalization and spreading of work. It has also been urged to the Commission that most of the present bootleggers could be absorbed by spreading working time thinner among a larger number of workers, in the collieries now operating. This step is wholly impractical at present. It would put the whole burden on the men now employed, and would reduce working time per man, in the southern regions, to hardly two days per week. It would thus give less than subsistence-level earnings to all.

5. The development of important new industries in the anthracite region is wholly improbable in the near future.

6. Large-scale emigration from the anthracite regions to other parts of the country, though most desirable, is also improbable in the near future. Employment opportunities elsewhere for which the miners are fitted are scarce; and the miner's reluctance to leave his familiar hills under any circumstances is notorious.

7. Recommendation: To increase colliery employment.

We therefore believe that the only workable solution for the bootleg problem lies in the provision of a substantial volume of additional employment in the collieries, in the regions chiefly affected by bootlegging. We are convinced that employing between 5 thousand and 7 thousand additional men, at a number of days per year to be not less than the number worked by the average of the industry, will swing public opinion in the regions involved, and will thus make it possible for the Commonwealth to close the bootleg holes without serious disturbance.

We therefore recommend the following steps.

(a) The Commonwealth shall create a new Corporation controlled by the Commonwealth. The new Corporation shall obtain operating control of enough collieries (say six to twelve) in selected regions where illegal mining is now especially concentrated to give employment to at least 5 thousand to 7 thousand men, at a number of days per year not less than the average worked by other collieries in Southern and Western Middle fields while the new collieries are in operation. The annual output of the new Corporation will thus be roughly between 2 million and 3 million tons a year at the outset.

(b) The Corporation shall sell its product under fair competitive conditions in the market, and shall pay particular attention to the development of direct mine-to-consumer deliveries by truck, so far as economical. These sales will not constitute unfair competition with the present operating companies, since the tonnage contemplated is less than those sales, by illegal miners, which the present companies have been unwilling to attempt to recapture at the price of themselves assuring a limited amount of colliery re-employment in advance of such recapture.

(c) The new Corporation shall hire employees on the basis of seniority and length of previous employment by the present operating companies, so far as such employees are not now suffering from physical disability. No discrimination shall be made because of prior connection with illegal mining activities or present receipt of relief.

(d) The new Corporation shall pay the wage scales, and make the agreements with labor on all other aspects of work, which prevail in the other active collieries in the surrounding regions. It shall also pay taxes like any private operator.

(e) The new Corporation shall acquire operating control of the collieries in the following manner:

(i) The new Corporation shall make an immediate survey of the possibilities and costs, in the bootleg areas, of leasing or otherwise requiring collieries now active, in which employment can be materially increased; of leasing or otherwise acquiring collieries recently closed down which can be reopened at little additional cost; of leasing or otherwise acquiring



other collieries which have been closed for some time and which can be reopened only after substantial outlays; and of providing necessary additional preparation plants.

(ii) On the basis of this survey the new Corporation shall lease or otherwise acquire collieries in appropriate parts of the bootleg areas, as prescribed under paragraph (a) above. It is believed that the advantages to the present owners, both in terms of royalty receipts and in terms of relief from present tax burdens, will be so great as to induce acceptance of any reasonable offer to lease from the new Corporation. But the Corporation should also be given authority to buy collieries and coal lands outright, or to acquire them by condemnation proceedings, if that becomes necessary to achieve the re-employment objectives of the Corporation. It shall also have power to build any necessary additional preparation plants.

(iii) Because bootlegging is especially prevalent in areas where collieries have been closed for some time and are now flooded, it is believed that many of the collieries to be leased or otherwise acquired by the Corporation can be reopened only with a substantial initial outlay. (See the preliminary rough estimate in an appendix to the present report, which is included for purely illustrative purposes, for certain collieries of the Philadelphia & Reading Coal & Iron Co. alone)

(f). The Corporation shall be financed as follows:

(i) The Corporation shall be authorized to issue and sell its own bonds in an amount not to exceed say \$20 million. The bonds shall be secured against all revenues and other assets of the Corporation. Provision shall be made for their amortization according to their maturities. It is believed that because

of the tremendous economic and other interests which the communities in the bootleg areas have in the reopening of collieries, most or all of these bonds can be sold locally, without resort to the open market. The bonds will be protected not only by the Corporation's rights in coal lands, collieries and marketable coal produced, but also by the additional revenues and other assets provided below.

(ii) The Commonwealth shall immediately impose new taxation in an amount sufficient to yield at least \$2.5 millions a year, and preferably \$3.5 millions a year, for a period of two years or more; shall assign the proceeds of such taxes to the purposes of the corporation; and in order to provide an initial capital for the Corporation at once, shall issue and sell discountable tax warrants a year in advance against such proceeds. From the fiscal point of view the Corporation is to be regarded as a device for establishing and administering a combined Commonwealth works project and relief fund; and the payments from the Commonwealth to the Corporation are to be regarded as a means for providing part of the financing for such combined project and fund.

(iii) The constituted Commonwealth authorities of course will have to determine the sources from which the tax proceeds referred to above are to come. We should like to suggest, however, the possible propriateness of securing a part of the funds from a small tonnage tax, say 5 cents a ton, on the production of the other present anthracite operators. These operators will benefit greatly from the termination of illegal mining by the Commonwealth action, which in later paragraphs propose shall be undertaken when the Corporation comes into operation. They will benefit both by the stopping of thefts of coal from some of them, and - not less important - by the stopping of that unfair competition

price cutting, market disorganization and outright loss of market themselves, which the sale of bootleg coal is now imposing on nearly all of them. In the light of these large and real benefits, we believe that the burden of the tonnage tax here suggested will be almost negligibly small.

(iv) We believe that the above proposals will impose a far smaller financial burden on the Commonwealth than the burden of providing direct relief over a period of several years for the number of men otherwise idle who will be employed by the new Corporation. Relief for 7,000 men at \$60.50 a month comes to \$5 millions a year. The present proposals place a much smaller annual burden than this on the Commonwealth's general finances, particularly if a part of the revenues are obtained from a tonnage tax on the present operators.

(g) The Corporation shall be set up and administered by a disinterested Board of Directors who shall be adequately compensated and who shall give full time to its work.

(h) A suggested draft of legislation is appended to the present report.

(i) It will take time, perhaps a year or more, to recondition enough collieries to give employment to the full quota of 5 thousand to 7 thousand men. When it is definitely known that by a certain date employment opportunities in these collieries will be available for at least 3 thousand men, under the above conditions, but not before, the Governor shall issue a Proclamation pointing out these employment opportunities, and declaring that on and after that date illegal mining shall cease. Additional provision must also be made for direct and work relief for those who are in genuine need

and who are now engaged in bootlegging, but who are



not helped by the colliery re-employment.

We believe that this procedure will commend itself universally to public opinion in the regions involved, as being fair and effective; that the Proclamation will be accepted and peacefully obeyed by the great majority of the present bootleg miners; that forceful ejection and forceful closing of the bootleg holes will be required only in a small minority of cases; and that any extensive violence and bloodshed will be avoided.

In proposing the above plan we wish to make certain things clear. First, if the Commonwealth is to open collieries in the bootleg regions, the quid pro quo must be the closing of all the bootleg holes. This must be clearly understood in the communities involved. Second, we are convinced that bootleg mining is simply an acute symptom of the profound distress of nearly the whole anthracite industry. Third, therefore, it follows that measures aimed only at bootlegging are likely to have only a limited and temporary effectiveness if not coupled with measures of wider scope and purpose. Fourth, we hence propose the above plan not for its own sake and not as an end in itself, but only as a transitional measure pending the adoption of other steps looking to a more fundamental rehabilitation, and an ultimate expansion, of the anthracite industry in the aggregate. Possible steps of this character are examined below.

L504544

PART III. THE REHABILITATION AND EXPANSION OF  
THE ANTHRACITE INDUSTRY

I. THE ACUTE DEPRESSION IN THE ANTHRACITE INDUSTRY TODAY.

For many decades the Pennsylvania anthracite industry was one of the richest and most lucrative monopolies in the United States. There was no other important known supply of anthracite on this continent; anthracite was unquestionably the best and most convenient fuel for domestic heating; and profits, dividends and royalties swelled in an ever-increasing golden flood. The fact that the largest part of the real control of the anthracite lands and operations lay in the hands of the railroad interests and their bankers, and that these frequently predatory groups channeled most of the anthracite profits into their own coffers, made no difference; anthracite was still a golden monopoly.

In the last ten years all that has changed. Pennsylvania still possesses the great bulk of all American anthracite. But anthracite's monopoly of the domestic fuel market has gone, perhaps forever. It is no longer unquestionably the best domestic fuel, and it no longer dominates the domestic fuel market. Fuel oil, coke, bituminous coal, natural gas and even electricity have all made tremendous inroads on anthracite's former markets, and while their sales have been increasing steadily, the sales of anthracite have dropped disastrously. These facts are available for all to read. But the operators themselves, the distributors, the railroads, labor, and the various local tax authorities

have all blindly persisted in treating Pennsylvania anthracite as though it were still a rich monopoly. This utterly erroneous view is responsible for most of the profound distress in which the anthracite industry now finds itself. Instead of trying to push anthracite in competition with other fuels, until recently most of the parties concerned have merely tried to squeeze every penny they could out of the ultimate anthracite consumer. It is past high time that the industry itself, the railroads and people of Pennsylvania woke up to the real situation.

The peak in anthracite production was reached during the war, at roughly 100 million gross tons a year. The beginning of the real decline came after the disastrous strike of 1925-1926. From 1926 to 1934 the trends of production, shipments and realizations from sales were all persistently and sharply downward. In 1934 there was some recovery, but 1935 and 1936 were again below 1934, contrary to the movement of economic activity in most parts of the country. Production in 1936, at under 52 million net tons, was only 75% of production in 1929; 66% of production in 1926, ten years before; only 58% of the peak production of 1917; and was hardly equal to the output of forty years before.

These simple figures themselves tell most of the story. The steady shrinkage in output has inevitably been accompanied by large operating losses to the aggregate of the companies since 1932, by declining capital values and passed dividends, and recently by ---→

application of the largest company in the industry for relief under Section 77b of the Federal Bankruptcy Act. That other companies will likewise soon join the unhappy procession to the bankruptcy courts, unless some quick and drastic change takes place, seems almost inevitable. In 1935, on their own showing, the working capital of companies producing 90 to 95% of the total output was only \$9 millions! This is a decline from \$70 millions in 1929, and from \$111 millions in 1926. In 1932-1935, these companies lost a total of \$31 millions, and lost over \$10 millions in 1935 alone. Similarly many of the anthracite railroads, which for decades took the richest part of the anthracite monopoly's profits in the form of high freight rates, have suffered declining tonnage, operating losses and the threat of even more serious troubles.

The shrinkage in anthracite output has also been accompanied by the appearance of the so-called unfair competitive practises, and the complete collapse of that mutual trust and feeling of unity among the operators, which can alone enable them to deal effectively with the problems of the industry as a whole.

Finally, the shrinkage in output has been accompanied by the severe and protracted unemployment which is the immediate cause of bootlegging. The industry employed roughly 152,000 men in 1929, but employed only some 99,500 in 1936; and in 1936 these latter miners did not average much over 3-1/2 days of work per week. The industry has also obviously been

utterly unable to absorb the new generation of boys and young men who are growing up in the mining region.

Such are the broad facts on the position of the anthracite industry today. In the aggregate it is a sick industry; it is losing money steadily; it is faced with a new era of destructive price wars and possible bankruptcies; and it is totally incapable of caring for the more than 50,000 miners whom it formerly employed. The real size, power and financial worth of the industry are not half what they were a decade and a half ago. These facts, of whose significance most of the people of Pennsylvania seem to be wholly ignorant, must be frankly recognized, and must form the basis of all subsequent programs of public and private action affecting the industry.

## II. BROAD OBJECTIVES

We are agreed that a broad and constructive attack on the economic, social and financial problems of the anthracite industry must be aimed at two major objectives.

The first objective is a substantial increase in the present output and sale of anthracite, obtained especially by large reductions in the price of anthracite to domestic consumers relative to the prices of competing fuels. Any probable increase in output, however, is unlikely to be great enough to absorb more than a fraction of the men now unemployed in the anthracite regions. The second objective must therefore be the development of machinery to find other occupations for the unemployed, and to shift workers out of



the anthracite regions. These problems are discussed briefly in the following sections.

### III. THE REHABILITATION OF THE ANTHRACITE INDUSTRY

I. General pre-requisites for an enduring expansion of output. We believe that any substantial and enduring expansion in the present aggregate output of anthracite, and hence in the volume of employment the industry can offer, is dependent on two types of measures.

First, under existing competitive conditions there must be substantial and permanent decreases in the present average price of anthracite to domestic consumers, relative to the prices of competing fuels. We believe that operating methods in the mines, strippings and breakers are efficient in the main, and that further improvements here are unlikely to yield large further decreases in present mine costs. The fact that labor alone is now about 60% of mine costs supports the latter conclusion. But we are also agreed that freight rates on anthracite are much too high (ton-mile rates average roughly half again as much as bituminous rates, and ton-mile earnings perhaps a third higher). Various other handling charges also seem to be too high. The railroads still persist in regarding anthracite as a rich monopoly, however, and have stubbornly refused to make any large and lasting freight rate reductions on a wide front. We fear that if the railroads do not contribute their share toward increasing the market for anthracite by cutting rates heavily, they may find themselves both losing still more anthracite tonnage,

and losing return hauls because of the progressive economic collapse of the anthracite regions. For at least certain of the railroads, this will mean bankruptcy. Finally, the margins exacted by wholesale and retail domestic distributors are commonly excessive. This does not mean that the distributors are making unusual profits, however. It means only that they are commonly badly organized and inefficient, and that the average distributor handles too small a tonnage to do the work cheaply. Reduction of average dealers' margins and improvement of service to consumers are among the most vital pre-requisites for an enduring increase in anthracite consumption.

Second, there must be a large increase in the aggregate market for anthracite obtained by intensive sales promotion, research and purchaser-financing, to increase the use of improved anthracite-burning equipment, and to develop new markets and new uses for anthracite. The newly organized Anthracite Industries, Inc., has recently begun work along these lines, which should be pushed much further; but at the present time the latter organization is merely an educational enterprise.

We believe that the adoption of measures which will both increase the aggregate demand for anthracite, and which will lower present prices to domestic consumers by cutting the shipping and distributing costs just mentioned, will greatly increase the power of anthracite to compete with other fuels, and will thus make possible an enduring expansion of the whole anthracite industry. We feel convinced that unless

such measures are adopted, the industry may well remain in its present acutely depressed conditions for years, and may even sink still lower--with the inevitable accompaniment of further bankruptcies, losses to investors and to the railroads, and still greater unemployment.

2. The justification for government intervention in the anthracite industry. If anthracite were merely one of the many industries which have reached a peak, and which then entered on an inevitable downward path of contraction, decay and dissolution, there would be no special case for intervention by the government or any other outside agency. No government undertook action to succor the manufacturers of horse-drawn carriages, or of kerosene lamps, or more recently--of cotton textiles. The fact of losses to operators and investors is not a sufficient reason for intervention in the industry itself.

Three facts, to our minds, justify serious consideration of the various possible forms of intervention in the anthracite industry by some government body. The first is the fact that anthracite coal is still one of the nation's most prized natural resources. Unrestricted exploitation of an exhaustible natural resource by private competing groups, however, is not likely to produce the best results from the point of view of the national welfare. At one extreme, the competitors combine and a monopoly results, as was the case in the anthracite industry before the war. Then prices are far too high, and the rate of production is too low. At the other extreme



destructive competition develops, as it now has in the petroleum industry. Then output is too great, prices are too low, and tremendous wastes of natural resources inevitably ensues.

Second, unemployment has been severe in the anthracite industry for many years, and now amounts effectively to nearly half of the number of men employed ten years ago. Relief, works projects and the like are expensive ways of taking care of the unemployed. Government intervention of some sort may well prove to be financially the cheapest way out.

Finally, unemployment in the anthracite regions has been accompanied by illegality on an unprecedented and ominous scale. Unless an enduring expansion of anthracite production develops, thus drawing off at least a part of the pressure of unemployment in the anthracite regions, we fear that bootlegging and other illegalities will later expand, and will thus imperil the whole structure of law and order in the entire anthracite area. Obviously, the proposals made in Part II above for dealing with the immediate bootleg situation are limited in scope, and can touch only a small part of the aggregate unemployment problem. Moreover, in view of the present complete disorganization of the operators and their inability to agree on any constructive program, we believe that the operators will not be able by their own unaided efforts to expand the production and sale of anthracite substantially in any near future; will hence not be able to

provide any large volume of additional employment; and hence will not be able to lighten materially that profound economic distress in the anthracite regions, in which the present grave peril to law and order originates.

On these three principal grounds, we are therefore now giving serious consideration to the various forms of government intervention enumerated below, and in our subsequent final report we are contemplating that adoption of one of them (or of some variant) be recommended in the special case of the anthracite industry.

3. Forms of government intervention which are now under consideration.

a) Application of a modified Guffey Act for anthracite.

If such an act were passed by the Commonwealth, perhaps in combination with a code of fair competition, it could probably now be made to give control over mine and consumer prices, wages and labor conditions within the Commonwealth. The passing of complementary legislation by the Federal Congress would also permit some control to be exercised over prices in other states. These possible steps deserve serious consideration. Two aspects, however, must be borne in mind. First, the original Guffey Act was designed to operate in the bituminous industry, where over-production and depressed prices were the evils to be corrected. The problem in anthracite is quite the reverse. Here prices to consumers are too high, and production too low. What is fundamentally required in anthracite is not as yet restraint of excessive competition, but the introduction of new aggressiveness in dealing with the problems

of distribution and the competition of other fuels. Second, the principles of the Guffey Act leave both initiative and control in the hands of the present operators. We have already indicated, in the preceding section, our grounds for pessimism on this head. The operators are now disorganized and mutually distrustful, and it is doubtful if placing the powers given by the Guffey Act in their hands would produce much change.

b) Declaring the anthracite industry a public utility, and placing it under a regulatory commission. This scheme has merits. It could be made to lead to control over both the opening and the abandonment of collieries and strippings, and over mine prices. But it would still leave the initiative on most current questions in the hands of the operators, who have already demonstrated their inability to agree on and to enforce a constructive set of policies; it would do little of a positive sort to solve the problems of production, railroad relations and distribution; and in itself it/<sup>too</sup>would not increase the aggregate market for anthracite. The public utility mechanism is primarily a regulatory and restraining device, whereas what is needed in the anthracite situation is the introduction of new initiative, aggressiveness and power to act.

c) Creation of a new Corporation by the Commonwealth to take over the permanent ownership and operation of part of the anthracite coal lands, on the model of the Tennessee Valley Authority. This would not at once solve the problems of the whole industry; but it would provide a yard-stick test to gauge the efficiency of the private operators, and by competition would in due course force improvements in marketing tech-

niques upon them. Its inherent danger, however, is that because of better equipment and more substantial capital facilities, such a Corporation may become over-ambitious and unfairly destructive in its competitive activities.

d) Compulsory amalgamation of all the present anthracite coal-land owners and operators into one new Corporation (or possibly two) to be established by the Commonwealth. This step would permit a direct and unified attack upon all the major problems of the anthracite industry, namely, the problems of freight rates, railroad-coal company tie-ups, distribution, and marketing methods. If successful, the new Corporation would produce a large and enduring expansion of output and employment in the anthracite industry. It can be so set up as to protect the financial interests of the present owners and other investors in the industry, when those interests are fairly valued at their present real worth; it can be placed under disinterested controls which will insure reasonable operation and merchandising efficiency; and it can be financed largely from the issue of its own new securities, at little or no lasting cost to the Commonwealth. Moreover, we believe that a Corporation thus set up under Commonwealth auspices will not be viewed as running counter to the Federal anti-trust laws, and that it will hence be able to attack the vital problem of reducing distribution costs and prices to consumers in other states. Obviously such a Corporation must be properly safeguarded from the outset, to prevent its falling under the control of purely political groups and to prevent its consequent exposure to all the familiar dangers

of favoritism, graft and inefficiency.

e) Federal ownership and operation. This may be the ultimate solution of the anthracite problem. But it is a solution which lies outside the power of the Commonwealth, and is not one which we feel it proper to consider extensively until all other alternatives have been thoroughly explored and found inadequate.

f) Acquisition of unused anthracite coal lands, either by the Commonwealth or by the Federal Government. This step could be taken simultaneously with any of the first four proposals above. It would leave the present owners enough land for say 25 years of operation. It would thus lighten the present great burden, of taxes and interest and royalty charges on idle property, which the present operating industry carries. It would not, however, make any large immediate contribution to the problems of freight rates, distribution and marketing.

#### IV. THE TRANSFER OF SURPLUS WORKERS FROM THE ANTHRACITE REGIONS

We believe that appropriate government intervention of some sort, as outlined in the preceding section, will place the present anthracite industry on a sound and healthy base and will encourage expansion in future years. It is merely unrealistic, however, to believe that any conceivable growth of the industry in the next decade or two will absorb all the workers who are now effectively idle in the anthracite regions. Even after allowing for former legal miners who are now thought to be engaged in bootlegging, nearly 50,000



men who were employed in legal mines in 1929 are now unemployed therein; the 99,500 men now in the legal mines are working little more than three days a week on the average; and many thousands of boys have come to working age in the region since 1929, without ever having had employment in the legal mines. Even if we assume that the average miner desires to work only 200 days a year, the anthracite regions hence now contain the equivalent of perhaps 75,000 to 100,000 unemployed men. To absorb all these men into the anthracite industry would require that the present tonnage be nearly doubled. To expect this in any near future, under present conditions, is merely fantastic.

The problem here involved is strictly beyond our present mandate. But it is so integral a part of the bootleg situation and of the present general position of the anthracite industry, and is so important in its human and social aspects, that we desire to call it urgently to the attention of the General Assembly. The indefinite continuance of individual direct relief is both demoralizing to the recipient, and if granted on any large scale must soon become financially unbearable to the Commonwealth. We urge careful consideration of the following partial remedies:

(1) Projects operated by the Commonwealth, and analagous to the Federal P. W. A. and W. P. A. in general character. The reforestation of stripped regions, and the control and utilization of brooks and rivers, seem meritorious types of enterprise. The development of partly self-supporting local

industries should also be explored.

(2) Free Commonwealth employment bureaus.

(3) Vocational training and guidance, both for unemployed miners and for other men and boys, to teach them new forms of work of types that can be followed in other regions. At the same time, these workers should be encouraged to leave the anthracite regions; should be helped to find new jobs by the Commonwealth employment bureaus; and where necessary should be given financial aid during the training and transfer period. Restriction upon the entry of new employees into the anthracite industry is also an essential and obvious part of this transfer program. Similar training should be given women and older girls who desire it. The recent experience of Great Britain shows that a program of this sort can be eminently successful.

(4) The development of subsistence homestead communities. This can be viewed as one phase of the preceding proposal, but may require a larger initial capital outlay, and presumably could be undertaken only in cooperation with the Federal authorities.

#### V. PROPOSAL FOR A FEDERAL FUEL BOARD.

We also urge that the General Assembly invite the Federal Government to appoint a Board to investigate the status of all competing fuels, with a view to controlling possibly unfair competition between them and to stopping the present needlessly wasteful exploitation of the country's fuel reserves. Rapid exploitation is frequently advantageous



to the country as a whole. But mere waste can claim little defense. At least a part of the present situation in the anthracite industry is traceable to the economically wasteful and in part unequal competition of other fuels.

PART IV  
PLANS FOR FURTHER WORK

The Commission proposes to go ahead at once with a detailed consideration of constructive programs for the general rehabilitation of the anthracite industry, along the lines suggested in Part III. Proposals which have already been placed before the Commission, and others that may be submitted later, will be analyzed from the standpoint of their probable practical effectiveness and their cost. Within as short a time as is possible, the Commission will submit its final report.

From our initial appropriation of \$50,000, a total of \$32,094.93 has already been expended or authorized for expenditure by the Commission as follows:

FINANCIAL STATEMENT

|                                  |                  |                  |
|----------------------------------|------------------|------------------|
| Appropriation                    |                  | \$50,000.00      |
| Expenditures                     |                  |                  |
| Salaries                         | \$16,331.59      |                  |
| Wages                            | 4,248.41         |                  |
| Traveling and<br>Misc. Expenses  | <u>1,514.93</u>  |                  |
|                                  |                  | \$22,094.93      |
| Allocated to Census              | <u>10,000.00</u> |                  |
| Total Expenditures & Allocations |                  | <u>32,094.93</u> |
| Balance Available                |                  | \$17,905.07      |

STATEMENT OF CENSUS ALLOCATION


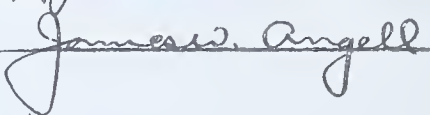
|                    |               |                 |
|--------------------|---------------|-----------------|
| Allocation         |               | \$10,000.00     |
| Expenditures       |               |                 |
| Salaries           | \$595.13      |                 |
| Wages              | 995.00        |                 |
| Miscellaneous      | <u>234.08</u> |                 |
| Total Expenditures |               | <u>1,832.61</u> |
| Balance Available  |               | \$ 8,167.39     |

---

A balance of \$17,905.07 is still available for the Commission's work.

The Commission estimates that an additional appropriation of \$50,000.00 will be necessary to complete its investigation of the general rehabilitation of ~~the~~ anthracite industry. This is in addition to the sums proposed above, in connection with the program to stop the present bootlegging.

Respectfully submitted,

Appendices

- I. Proposals for Commonwealth acquisition of collieries to end present illegal mining.
- II. Proposed draft of legislation.

APPENDIX I

PROPOSALS FOR COMMONWEALTH ACQUISITION OF COLLIERIES TO END  
PRESENT ILLEGAL MINING

In connection with the proposals made in Part II above, we offer herewith a purely speculative estimate of the possible costs of re-opening and operating certain collieries of the Philadelphia and Reading Coal and Iron Co., prepared by an independent engineer. This estimate is offered for illustrative purposes only, and should not be taken as definitive.

PROPOSED RE-EMPLOYMENT PROJECT

SHAMOKIN DIVISION

It is proposed to de-water, place in working condition and operate the following collieries of the Shamokin division:-

| <u>Name of Colliery</u> | <u>Possible Production<br/>Single Shift</u> |
|-------------------------|---|
| 1. - Big Mountain       | 1000 tons                                   |
| 2. - Henry Clay         | 1250 "                                      |
| 3. - Burnside           | 1250 "                                      |
| 4. - Stirling           | 1500 "                                      |
| 5. - North Franklin     | <u>2000 "</u>                               |
| Total - - - - -         | 7000 tons                                   |

The above collieries are at present flooded. The problem would then consist of de-watering the North Franklin colliery at Treverton as a separate unit and the Big Mountain, Henry Clay, Stirling and Burnside Collieries at Shamokin as one unit, since these four collieries are at certain points interconnected.

At present, the P. & R. C. & I. Co. maintains a pumping plant and holds the water of those collieries at a certain elevation to prevent this from overflowing into the Bear Valley colliery, which is the only live colliery of this Company in this division. It is estimated that the operating and maintenance cost of this pumping plant to the Company is \$75 thousand per year.

#### PREPARATION PLANTS, EQUIPMENT, ETC.

There are no preparation plants or breakers available at these collieries. The North Franklin breaker burned down in 1931. The Burnside breaker which handled the production of the Burnside shaft, water level and Stirling slope operations and the Henry Clay breaker which in turn handled the Henry Clay and Big Mountain production are practically dismantled and worthless.

It would therefore be necessary in the new project to erect new modern preparation plants, one of a 2000 ton single shift capacity to handle exclusively the North Franklin Colliery production, and another central preparation plant of approximately 5000 tons, single shift capacity, to handle efficiently and economically the combined production of the Burnside, Stirling; Henry Clay and Big Mountain collieries.

The above operations are practically depleted of any worthwhile modern mining, hoisting and pumping plant equipment and it would be necessary to acquire this new as the development of collieries involved in the project progresses.

The main traveling and working arteries of the collieries, such as shafts, slopes, planes, tunnels and gangways, will probably

be found in more or less good condition.

### COAL RESERVES

The virgin coal reserves of the Shamokin division controlled by the P. & R. C. & I. Co. are very large, possibly in excess of 100 million tons, with the sole exception of the Burnside and the Big Mountain collieries. These possess only a very limited amount of virgin coal area, but have a considerable amount of second mining and excellent quality coal.

The coal of this division in general is of excellent quality, free burning white ash anthracite, with a specific gravity of about 1.51 for the division.

### POTTSVILLE DIVISION

It is proposed to de-water, place in working condition and operate the following collieries of the Pottsville division:-

| <u>Name of Colliery</u> | <u>Possible Production<br/>Single Shift</u> |
|-------------------------|---|
| 1. - Reevesdale         | 1500 tons                                   |
| 2. - Silver Creek       | 1500 "                                      |
| 3. - Pine Knot          | 2000 "                                      |
| 4. - Wadesville         | 1250 "                                      |
| 5. - Pine Forest        | 750 "                                       |
| 6. - Lincoln            | <u>1500 "</u>                               |
| Total - - - - -         | 8500 tons                                   |

The above selected collieries cover about evenly the entire Pottsville division of the P. & R. C. & I. Co., and the bootleg-affected area of the Southern anthracite field.



Practically all of the collieries are flooded and the problem of de-watering and placing them in operation would be a repetition of the Shamokin division problem.

PREPARATION PLANTS, EQUIPMENT, ETC.

There are no efficient preparation plants or breakers available at those collieries, and no worthwhile mining, pumping, etc. equipment is in evidence. As in the case of the Shamokin division, brand new equipment would have to be acquired for the collieries.

The main communication arteries of the collieries, such as shafts, slopes, tunnels, etc., are probably in good condition.

Possibly three new preparation plants of approximately 3 thousand ton single shift capacity each, to take care of this division output, would have to be erected at points centrally located in respect to the collieries they might serve.

The coal reserves of those collieries are ample to sustain their operating life for a considerable number of years. Large areas of virgin undeveloped coal are also available in this territory.

The coal of this division is of excellent quality, mostly white ash anthracite, although some red ash coal is also available in the area, at least at the Lincoln and the Brookside collieries. The specific gravity of coal in this division is approximately 1.65 with the exception of the Brookside colliery, which analyzes about 1.50.

ESTIMATED COST OF REHABILITATION

The cost of placing the above named collieries of the Shamokin and Pottsville division on a productive basis as indicated in this report, and the amount of capital necessary to operate those collieries and merchandise their product, is broadly estimated as follows:-

Shamokin Division

1. To de-water the North Franklin, Burnside, Stirling, Henry Clay and Big Mountain units and install permanent pumping plants to take care of the water problem of those collieries:-  
For Equipment, Labor and Supplies - \$900,000.00
2. To introduce and install the necessary hoisting, ventilating and mining equipment plants in those collieries:-  
For Equipment, Labor and Supplies - \$2,000,000.00
3. To develop the collieries to the required production and cost efficiency level:-  
Labor and Supplies - \$1,250,000.00
4. To erect two modern preparation plants, one at the North Franklin Colliery for a single shift capacity of 2,000 tons and the other to be located at a selected central point in the vicinity of Shamokin, for a single shift capacity of 5,000 tons:-  
Equipment, Labor and Supplies - \$1,000,000.00  
TOTAL - - - - - \$5,150,000.00

Pottsville Division

To de-water the Reevesdale, Silver Creek, Pine Knot, Wadesville, Pine Forest and the Lincoln Collieries, and install permanent pumping equipment plants:-

For Equipment, Labor and Supplies - \$1,000,000.00

To introduce and install the necessary hoisting, ventilating and mining equipment plants:-

For Equipment, Labor and Supplies:- \$2,500,000.00

To develop the collieries to the required production and cost efficiency level:-

For Labor and Supplies - \$1,500,000.00

To erect three modern preparation plants for a single shift capacity tons each, to be located at certain central points more or less evenly distributed over the area or the sections:-

For Equipment, Labor and Supplies - \$1,200,000.00

TOTAL - - - - - \$6,200,000.00

A re-adjustment in the amount of investment may occur in the event that the Bear Valley and the Brookside collieries are incorporated in the project.

It is considered that a working capital of \$3 million may be found necessary in order to insure the smooth functioning of the project.

Total Investment and Working capital -

\$3,000,000.0

\$14,350,000.0

TIME LIMIT FOR CONSTRUCTION  
AND DEVELOPMENT WORK

The time limit for the execution of the above work and the period required to bring the collieries to full production, and the cost of production to the desired cost level, is estimated at fourteen (14) months after the completion of necessary detailed surveys and plans of the project. The reemployment of labor would in such case assume a steadily mounting line until it reached its full effect.

APPENDIX II

PROPOSED DRAFT OF LEGISLATION

We append herewith a rough draft of legislation to implement the recommendations made in Part II. This draft, because of the shortness of available time, has necessarily been made without extensive consultation with legal authorities, and is hence subject to modification.

AN ACT

To create the Pennsylvania Anthracite Authority; to reemploy anthracite mine workers; to reduce the cost of public relief, and to eliminate "bootleg" mining; to rehabilitate the anthracite coal industry; to relieve the depressed anthracite mining communities; to assist in the conservation of the anthracite coal resources of the Commonwealth; and for other purposes.

Be it enacted by the Senate and House of Representatives of the Commonwealth of Pennsylvania in General Assembly met, and it is hereby enacted by the authority of the same as follows:

Section 1. (a) There is hereby created the Pennsylvania Anthracite Authority, hereinafter called the Authority, a public body and a body corporate and politic created and organized in accordance with the provisions of this Act, for the purposes, with the powers and subject to the restrictions, hereinafter set forth.

(b) The Board of Directors of the Authority shall consist of three (3) persons, appointed by the Governor of the Commonwealth, who shall designate one of them as Chairman. One of the original members of the Board of Directors shall be appointed for a term of three (3) years, one for a term of four (4) years,

and one for a term of five (5) years, but their successors shall be appointed for terms of five (5) years each, except that any person chosen to fill a vacancy shall be appointed only for the unexpired term of the member whom he shall succeed. A vacancy in the Board of Directors shall not impair the right of the remaining members to exercise all the powers of the Board of Directors, and two members shall, at all times, constitute a quorum. One of the members of the Board of Directors shall be a mining engineer who shall have had practical experience as such, and he shall also serve as President of the Authority. One of the members of the Board of Directors shall be a person who has had practical experience in the operation of anthracite mines, and he shall also serve as Vice-President of the Authority in charge of operation. One of the members of the Board of Directors shall be a person who has had practical experience in the fields of investment banking and corporation finance, and he shall also serve as Secretary-Treasurer of the Authority. No member of the Board of Directors shall have any financial or other interest in any corporation, partnership, or firm engaged in the business of mining, distributing, or selling anthracite coal, or financing such mining, distributing, or selling, nor shall any member of the Board of Directors have any financial or other interest in any business which may be adversely affected by the operations of the Authority. Upon taking his oath of office, each member of the Board of Directors shall be required to register his agreement with the purposes and provisions of this Act.

(c) Each member of the Board of Directors shall receive a salary of twelve thousand (\$12,000) dollars a year, without additional salary for serving as an officer, shall be eligible for reappointment, and shall not engage in

any other business, vocation, or employment. The Authority may employ an assistant secretary, such technical experts, and such other officers, agents, and employees, permanent or temporary, as it may require, and shall fix the compensation of such persons according to their qualifications.

(d) The Board of Directors shall at the close of each fiscal year make a report in writing to the Governor of the activities of the Authority during such year, and shall make such other reports as the Governor may from time to time require.

(e) The major general purpose of the Corporation itself shall be to establish and administer a Commonwealth works project for the provision of additional employment in and around collieries in the anthracite coal regions, the necessary funds being obtained partly by contributions from the Commonwealth, partly from the issue and sale of the Corporation's own securities, and partly from the sale of anthracite coal produced by or at the direction of the Corporation; to reduce the cost of public relief; and to relieve the depressed anthracite mining communities.

Section 2. (a) The Authority shall have an initial capital of \$5 million, represented by 50,000 shares of stock of \$100 par value, all of which shall be subscribed and paid for by the Commonwealth. Receipts for payments by the Commonwealth for and on account of such stock shall be issued by the Authority to the Governor of the Commonwealth and shall be evidence of the ownership of the stock by the Commonwealth.



(b) The shares of stock representing the initial capital of the Authority shall be issued from time to time during the first two (2) years of operation of the Authority. The funds necessary for the payment for such stock shall be raised by taxation, and shall be appropriated from time to time for the purposes herein set forth. It shall be legal for the Commonwealth to issue and sell discountable tax warrants one year in advance of actual receipt of such tax proceeds. (Note: It is suggested that consideration be given to raising part of these tax funds by a small tax, say 5 cents a ton, on anthracite coal produced in the Commonwealth and marketed for commercial purposes.)

(c) The Authority is hereby authorized and empowered to issue debentures for any of its corporate purposes, including administrative expenses. The total amount of such debentures shall not exceed \$20 million and shall bear such date or dates, mature at such time or times (not to exceed twenty (20) years from the date of issuance), bear interest at such rate of

rates, and be in such denomination, as the Board of Directors by its resolution shall determine. The debentures issued by the Authority shall constitute a first lien on its income and other assets. The Authority shall from its annual income, and as a first charge thereon, pay the interest on its debentures, and set aside sinking funds in amounts sufficient to amortize the debentures as and when they mature. Neither the members of the Authority nor any person executing its debentures shall be liable personally thereon by reason of the issuance thereof. Such debentures shall not be a debt of the Commonwealth, and shall so state on their face; nor shall the Commonwealth nor any revenues or any property of the Commonwealth, be liable therefor.

Section 3. The Authority is hereby empowered to operate anthracite mines and collieries, and shall have all powers necessary or appropriate to carry out and execute the purposes and provisions of this Act, including the following:

(a) To acquire by lease, purchase, or by eminent domain, any anthracite mines, or any interest therein, and to improve, develop, and operate such mines;

(b) To acquire by lease, purchase, or by eminent domain, any anthracite collieries, preparation plants or other necessary equipment or any interest therein, and to improve, develop, and operate such mines and collieries;

(c) To acquire by lease, purchase, or by eminent domain, any real estate, or any interest therein, for its proper purposes, and to hold and improve such real estate;

(d) To construct collieries for the exploitation of anthracite coal lands leased, purchased or otherwise acquired, to establish marketing agencies, to cooperate with other anthracite

coal producers in the marketing and distribution of coal, to operate trucks, and to do all other things necessary to the production and marketing of anthracite coal from mines and collieries acquired and operated by it, including the right to sell anthracite coal itself;

(e) To grant, sell, lease, or exchange any anthracite mine, colliery, real or personal property, or any interest therein, when the Authority determines that such mine, colliery real or personal property, is no longer needed for the purposes of this Act.

(f) To sue and be sued;

(g) To make and execute contracts and other instruments necessary or convenient to the exercise of its powers;

(h) To conduct and supervise research into the problems of the anthracite coal industry, particularly into the problems of reducing costs, improving methods of marketing and distribution, and increasing efficiency, and, as a result thereof, to make recommendations to the Governor and the General Assembly for further action for the rehabilitation of the anthracite coal industry and the conservation of the anthracite coal resources of the Commonwealth;

(i) To conduct investigations, and to hold public or private hearings on any matter material for its information or action, and in connection therewith, to hear testimony, take proof under oath or affirmation, make findings, and issue reports thereon.

(j) To make, amend, and repeal, such rules and regulations as may be necessary to carry out the provisions of this act.

Section 4. The Board of Directors of the Authority is hereby directed, immediately upon the organization of the

Authority, to consider the recommendations set forth in the Ad Interim Report of the Anthracite Coal Industry Commission (created by the Act of February 16, 1937) submitted to the Governor on May 17, 1937, and by him transmitted to the General Assembly on May\_\_\_\_, 1937.

Section 5. (a) The Authority shall , in the operation of mines and collieries acquired by it, give employment in and around the mines and collieries only to former anthracite mine workers, and shall operate mines and collieries only to the extent necessary to reemploy former anthracite mine workers. The Authority shall give employment to such workers according to seniority, the term "seniority" being defined as meaning length of time such workers have been or were employed in the anthracite coal industry.

(b) In formulating its reemployment program, and in connection therewith its program of acquisition, construction, and operation of anthracite mines and collieries, the Authority shall have due regard for the social and economic welfare of the communities most seriously affected by unemployment among anthracite mine workers, by the consequent public relief burden and by the growth of "bootleg " mining. In its discretion, however, the Authority may acquire, construct, and operate mines and collieries in communities where "bootleg" mining has not developed to serious proportions, but where unemployment among anthracite mine workers is serious and where the public relief burden is consequently heavy.

(c) All workers employed in and around mines and collieries operated by the Authority shall have the right to self-organization, to form, join, or assist labor organizations, to bargain collectively through representatives of their own choosing, and to engage in concerted activities, for the purpose of collective bargaining or of mutual aid or protection.

The Authority is hereby directed to enter into a collective agreement with the labor organization representing such workers at each of the mines and collieries operated by it which shall broadly conform to the collective agreements in effect between other employers in adjacent districts in the anthracite coal industry and the labor organizations representing their employees.

Section 7. This Act may be referred to as the "Anthracite Authority Act".

Section 8. This Act shall become effective immediately.

PART II

REPORT BY

HARRISON HOBLITZELLE

and

WILLIAM R. LYNETT

ANTHRACITE COAL INDUSTRY COMMISSION  
REPORT OF MESSRS. HOBLITZELLE AND LYNETT

GENERAL OBSERVATIONS

Perspective.

The basic ills of the anthracite industry are attributable to a perspective of monopoly which has been shared over a long period of years by all parties at interest. Although there has been a declining trend in anthracite production since 1926 accompanied by increasingly distressing problems of many kinds, the industry as a whole has apparently not yet been able fully to comprehend the fact that the old perspective is no longer tenable. A realization of this psychology is necessary to an understanding of the reasons for the inertia of the various affected groups in efforts which have been made to date to bring the industry to a place where it can compete and expand its market.

Concerted Effort.

The owners and operators of coal properties, including distributors, the railroads and labor must face the problem, - not in the usual way as to how they are individually and immediately going to be affected by any suggested changes but as to how the industry as a whole is going to be affected because if the industry decays they will all suffer. There is no one group acting independently of the others, regardless of its action, which can bring about recovery. There is no one place in the industrial structure which can be indicated as the one weak spot. There are many weak spots and it is only through real cooperation on the part



of every one of these groups that any substantial success can be expected.

#### Land Owners.

The fee holders of coal properties have received and are receiving royalties based on various schedules and arrangements from lessees of their lands. In many cases downward adjustments have been made, some however are of a tentative nature. It behooves these fee holders, in their own interest, thoughtfully to review their arrangements in view of the obvious fact that their income can be assured only if their lessees' operations are profitable.

#### Operators.

Over a period of many years the operators, relatively few in number, controlling through ownership or leasehold practically all of the known anthracite properties of the continent, enjoyed a virtual monopoly of the high grade domestic fuel market. Problems of production occupied primary attention and those of marketing were secondary; realization prices were sufficient to provide satisfactory margins for all. Steadily rising costs of production and the encroachments of competitive fuels however have developed to the point where today the coal companies find themselves in the position where they are unable to sell their product either in large enough volume or at a high enough price to recover their costs.

The problem of the coal companies is to recover and expand their markets. The solution lies along the lines of materially

improving their merchandising methods and reducing the cost of their product to the ultimate consumer.

The companies have made a step in the first direction through the formation last year of Anthracite Industries, Inc., a broad sales promotional organization jointly financed by a majority of the industry. This project should be vigorously supported and expanded as a supplement<sup>to</sup> but not as a substitute for aggressive sales efforts by the individual companies.

The cost of anthracite coal to the consumer is roughly made up of three parts, - production, transportation, and final delivery costs. These will be dealt with subsequently, however insofar as production costs are concerned it is generally conceded that the operators are doing a creditable job in keeping their reducible elements to a minimum.

It is apparent in the coal fields that some of the companies have been lacking appreciation of the necessity of having the communities, of which they are the foundation, conversant and sympathetic with their problems. A continuing public relations program of an informative nature would go far to convert what is now a feeling of apathy and in some cases open hostility to one of cooperation and public support.

#### Labor.

Labor costs exclusive of salaries are by far the largest factor in the cost of producing a ton of anthracite, amounting to roughly sixty per cent of the total. It is interesting to note

that since 1902 there has been a steady uptrend in wage rates with no downward revision at any time notwithstanding the fact that in practically every other industry temporary reductions have been made from time to time during periods of economic depression; further, the work week since 1902 has been reduced from six 10-hour days to five 7-hour days. Anthracite wage rates are relatively very high and average annual earnings are low, -208 days having been the largest average number of days worked per man in any year since 1929. The facts point to an inescapable conjecture as to whether a reduction in wage rates would not produce larger earnings per man and also give further additional employment to some of those now unemployed. Where labor costs play as important a part in production as they do in the mining of anthracite coal flexibility in labor agreements is indispensable to the survival of the industry.

One factor which has played an important part in the decline of the anthracite market has been the closing of the sources of supply due to prolonged strikes, notably those of 1922 and 1925-6. During these periods many consumers changed to other fuels and subsequently did not return. Canada, the principal export market, in past years drew virtually all of its anthracite supply from this country, whereas now United States producers enjoy less than half of its business. Although Canadian importations of Welsh anthracite are now admitted duty free as against a 50¢ per ton duty on U. S. anthracite one of the important reasons for the successful development of the Welsh competition was the impetus

given by the aforementioned strikes which caused acute fuel situations in Canada.

### Railroads.

The U. S. Supreme Court in 1920 ordered the anthracite carrying railroads to divorce their mining properties. Irrespective of how completely that order may have been effected at the time it appears that there are today very close relationships financially and otherwise between a number of the railroads and coal companies.

Since 1933 the railroads have voluntarily made some substantial reductions in their anthracite freight rates to various territories. Furthermore many petitions for rate reductions have been filed from time to time with the Interstate Commerce Commission so that body has presumably had the general subject of anthracite freight rates under more or less constant review. Nevertheless there is a widespread opinion outside of railroad circles that rail rates on anthracite are still too high. If any rate controlling body, responding to this pressure of opinion, should arbitrarily reduce rates without the most careful study of the facts serious threats to the stability of some of the anthracite rail carriers might result. On the other hand there is certainly reason to believe that some lower rate level might produce higher net revenues, particularly when it is borne in mind that the movement of other collateral freight broadly follows the coal traffic. For example the permanent abandonment of certain collieries would mean the ultimate loss from those areas not only of the coal traffic but

of all other commodity and merchandise traffic as well.

It is suggested that the railroads formulate a schedule of reduced anthracite rates to apply for an experimental period only and that the Interstate Commerce Commission recognize unreservedly the experimental status of the schedule, giving assurance that the railroads' right to withdrawal on reasonable notice shall not be contested if they find that the rate reductions have not been productive of increased net revenues from all traffic in and out of the anthracite regions.

#### Dealers.

The coal dealers are in much the same plight as the coal miners; their per ton rate is high but there are too many of them and the volume handled on the average is not sufficient to make the business profitable. Moreover most of them handle competitive fuels and with divided interests it is not reasonable to expect effective anthracite sales promotion, - in any event it is certainly not to be found now. Merchandising methods must be completely overhauled and in this development the coal producing companies must take the initiative and, until such time at least as retailing is established on a sound and progressive basis, should direct their product through to the ultimate consumer.

#### Burning Equipment.

The coal companies under the auspices of the Anthracite Institute have been carrying on for several years research work in connection with anthracite burning equipment. If through further industry cooperation mass production of such equipment could be



effected and thereby first costs reduced a considerable impetus would be given to their successful introduction.

### Legislation.

State legislation is pending which would impose an increase of 250% in workmen's compensation costs or approximately \$10,000,000 annually. Other compensation legislation covering occupational diseases would impose a further serious burden of a now indeterminable amount. In addition of course social security taxes which also follow in direct ratio to dollars of payroll, are rising in accordance with the Schedule in the federal act. Private enterprise cannot indefinitely survive mounting burdens of taxation levied on production.

Legislation has also been proposed placing a heavy tax on fuel oil consumed within the State of Pennsylvania and this move apparently has the support of the coal industry. The primary purpose of the legislation is to displace fuel oil with coal, however what the actual net effects would be are highly problematical. Aside from the belief that such a principle of taxation is unsound economically, it is felt that the desired result if obtained would be temporary only and that the solutions of the anthracite problem do not lie along those lines.

The production of coal involves, as previously stated, a very high labor factor in its cost. Broadly speaking, if competitive relief is to be considered through the route of taxation it would be preferable to apply to producers of all fuels, and all other goods for that matter, taxation based on scientific studies

of the factor of labor in the respective costs, varying the taxation inversely.

### Imports.

In the year 1936 a total of 630,000 tons of anthracite was imported into the United States from Great Britain and Russia. Of this amount 450,000 tons came from Russia alone where presumably lower production costs permitted them to sell in this market despite our tariff imposition of \$2.00 per ton.

## CONCLUSIONS

### The Industry.

Comments have been offered in the foregoing observations calling attention to specific points of weakness which should be strengthened but which can be effectively dealt with only by the respective groups themselves. There is always a tendency under ordinary circumstances to delay action in the hope that the other group will yield first and thereby render unnecessary any further contribution. The time has now arrived, however, when this strategy must be abandoned in the mutual interest of self-preservation. The monopoly party is over and the cold facts must be faced realistically - the anthracite industry is definitely on a decline which will not be checked unless there are effective contributions not from some but from all parties at interest in reducing the final delivered cost of the product to the consumer.



If the necessity for this cooperation is not now apparent the economics of the situation will soon make it so beyond any question of doubt.

It has been demonstrated that the coal companies, under the present limitations imposed by the Sherman Act, are unable to offer a united front to deal effectively in a cooperative manner with the many problems of the industry requiring attention. There is rather equal division of opinion among the operators as to whether or not some form of federal legislation similar to the Bituminous Coal Act of 1937 would be beneficial to the industry. The task of restoring the industry to a prosperous and healthy condition is certainly an economic and not a political one and it is undesirable under any circumstances to consider a substitution of governmental for private initiative and enterprise. Nevertheless in view particularly of the expressed needs and desires of a substantial portion of the industry it appears advisable that some action be taken to permit the industry to act as a unit in its competition with other branches of the fuel industry and to effect the much needed improvement in its merchandising methods and controls. To this end we recommend for your consideration the desirability of federal legislation involving a minimum amount of governmental participation with concurrent suspension of the Sherman Act, and further drawn along the general lines of the Bituminous Coal Act of 1937 providing, as that act does, for automatic termination at a stated time. The drafting of such an act might be charged to a joint committee composed equally of employers and employees drawn from the anthracite

industry. After preparation of such a bill it could be memorialized by the State legislature to the Federal congress and recommended by the Governor.

Although the anthracite coal resources of the nation are principally confined, so far as is now known, to the State of Pennsylvania, the consumption of the majority of the product takes place without the State and for this reason the conservation of those resources has more than an intrastate importance.

Our colleagues recommend for further study numerous alternatives involving various degrees of State regulation, operation and ownership of the anthracite industry. We are firmly opposed to any of the State alternatives suggested in the belief primarily that none of them could effectively deal with the problems of distribution, which are clearly interstate, and secondarily because we believe that any injection of State authority would ultimately lead to a further decline of the industry and a further burden to the taxpayers of the State. We frankly do not feel that any further time or expense involved in the exploration of State control theories are justified.

Bootlegging :

Bootlegging since its beginning in a small way in 1931 has developed into an industry of considerable proportions. It has been roughly estimated that there are at certain times of the year as many as 12,000 or more people engaged in the mining, and about 6000 in the preparation and marketing of bootleg coal and that last year such production approximated eight percent of

the anthracite legitimately mined. A census of this situation is now being taken by the Commission which when completed should reveal, among other things, a reasonably accurate picture of the numbers engaged in the various phases of the work, their ages, origins, and former connections, if any, with the legitimate mining industry.

Irrespective, however, of the results of the census we believe bootlegging should be stopped and that its continued condonement will lead to increasingly serious consequences, among which might be cited the further moral degradation of those engaged therein and of the communities in which the activities flourish, a threat to the earnings and even personal safety of the miners legitimately employed in collieries, and a continued disruption of the anthracite market.

Acute unemployment arose during the depression in many other industries and communities and yet did not lead to wholesale violations of property rights. The explanation advanced with respect to the development of anthracite bootlegging is that there were many of the unemployed who were faced with the alternative of either bootlegging or starving and the correlative argument that the right of survival transcends all others. If the threat of such an alternative still exists it should be immediately removed. The support of the unemployed and of other public dependents on a subsistence basis should be the obligation of society generally inasmuch as, to advance one sufficient reason only, industry cannot carry the financial burden.

The areas in the Southern Pennsylvania anthracite

fields where most of the bootlegging activities take place should be permitted to regain their morale and clear themselves of the charges of moral turpitude which are being directed against them from all parts of the nation. To accomplish this there will have to be a re-recognition of law and order, made possible without further delay through State assistance of various kinds to those who through need claim to have been forced into bootlegging. It is obvious that the impoverished finances of the coal companies will not enable them to take care of the unemployed, and it is just as obvious that there are no rehabilitation plans for the industry which can in themselves lead to large scale reemployment in the near future. If these statements are true, as we believe them to be, it is clear that the State will have to make its choice between either permitting bootlegging to continue indefinitely or extending relief in one form or another to those in need and thereupon stopping and keeping stopped the admittedly illegal mining of coal. As stated, we strongly urge you to follow the latter course. Arguments are made that nothing short of the reopening of collieries or at least the reabsorption of bootleggers in collieries now operating will prevent armed resistance and bloodshed. We do not concur in this position but are of the opinion that once the bootleggers are assured of subsistence through State aid and a better opportunity for employment in regular collieries public sentiment in the afflicted areas will promptly crystalize in support of the elimination of those practices which everyone including the bootleggers themselves must recognize to be fundamentally wrong. Once bootlegging is stopped there will naturally follow a need for

increased employment and working time in company collieries to replace the tonnage formerly produced illegally.

We recommend the immediate carrying out by the State of the following program:

1. Establishment of offices conveniently located in centers in the bootleg areas for the issuance of relief funds on an adequate subsistence basis to those who are actually in need;

2. Extension through these local offices or others of free employment service, with the giving of all possible aid to any in the regions who are willing to accept employment in other parts of the State. These offices should be clearing houses of information as to work opportunities outside the region and the service should extend even so far as the giving of funds for transportation expenses to those in need of them where chances of employment elsewhere are reasonably assured through advance negotiations.

3. Establishment of work relief programs along one or several of the following lines:

- (a) Reforestation,
- (b) Flood control and stream purification,
- (c) Highway work, and
- (d) The refilling, where safe, of bootleg holes.

4. Give assistance to counties and communities in the founding of vocational trade schools which will fit the young men of the communities to follow other trades than mining.

5. Endeavor to secure federal cooperation in the establishment of a Citizen's Conservation Corps camp in Schuylkill County.



6. When essential preparatory steps have been provided for the administration of adequate State aid through the several channels outlined, the issuance and effective enforcement of a governmental proclamation setting a date on and after which the State will use whatever powers may be necessary in support of local authorities to suppress and keep suppressed all bootlegging activities.

There are approximately 150,000 miners in the anthracite fields with only about 100,000 now employed on a part time basis. A materially increased demand for anthracite which would require a substantial increase in current production could be adequately handled by those men now on the payrolls if they were afforded full time work. In the present emergency the companies and the mine workers' organization will undoubtedly cooperate as far as possible to spread the work, however, in the long run the situation here is serious in view of the fact that there are 150,000 men available with full working time potentialities conceivably available even under greatly improved conditions for only two-thirds of that number. It is therefore important that the problem be faced realistically and that serious attention be given to the matter of first fitting the excess men for other vocations and means of livelihood, and secondarily the gradual transplanting of this part of the population elsewhere where better opportunities for employment or self support are available. It is obviously impractical to expect substantial results in this direction with respect to the older generation, however, all means should be employed to divert rising generations from the natural instinct of following their fathers' course into the mining vocation.

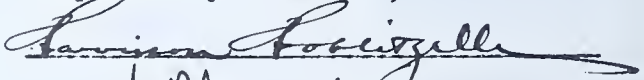
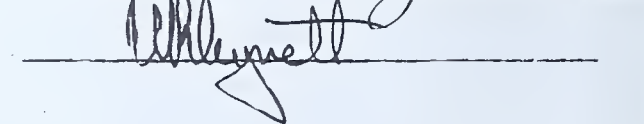
It will even be advisable in our opinion to incorporate education along these lines in the schools.

It might be claimed that the State itself cannot afford the financial burden of the assistance program outlined, which is admittedly large, however we are firmly of the belief that failure or delay in assuming that responsibility will ultimately result in far greater expense to the State in financial as well as moral values.

Any proposal injecting the State directly or indirectly into the operation of anthracite coal mines, even though it be effected presumably for a limited period only, would unquestionably lead to a future necessity of the State taking over the entire industry, as it is irrefutable that private enterprise cannot long co-exist with subsidized governmental competition however inefficient. In addition we believe that even though state operation of collieries were actually confined to an emergency period the cost to the Commonwealth would be considerably in excess of the cost of the assistance program we have recommended.

Insofar as we are concerned, this report contains our final recommendations.

Respectfully submitted,



## PART III

REPORT BY MORRIS L. ERNST

## APPENDIX

## APPENDIX I

### SAMPLE RESULTS FROM THE CENSUS OF ILLEGAL MINING

The following are the preliminary partial results of the census of illegal mining referred to in the preceding reports which the Commission is now conducting. It must be understood that these results are based on a small sample of the total, and hence may be somewhat unrepresentative of the final results to be submitted later. Because the results cover only a part of the total, no attempt can be made as yet to estimate the total annual output of illegal or bootleg mining operations, or of the total number engaged.

In addition, the figures are based only on the untested replies of bootleg miners to the questionnaires. Nevertheless, these preliminary results are sufficiently interesting in their general character to justify their presentation at this time. The completed census will be comprehensive, will be checked with all possible sources of information, and will cover many other questions not considered in the present preliminary partial summary.

This preliminary study covers only part of Northumberland county. The majority of the mines located in Zerbe and Coal townships, and part of the mines in Mt. Carmel township, are represented. As yet only a small percentage of the breakers in these townships have been surveyed. A study of the truckers engaged in transportation of illegal coal will be made for the final survey.

The census concerns itself with all pertinent information relating to the bootleg mines, the bootleg breakers, and the study of the personal histories of those engaged in these places. The number

of questionnaires thus far answered totals 1,033. Of these, 253 cover bootleg holes treated as operating units. These 253 holes employ 980 workers; 666 questionnaires are personal questionnaires answered by the workers in these 253 holes. Schedules covering bootleg breakers treated as operating units, total 37. These 37 breakers employ 122 workers; 77 questionnaires are personally answered by the workers in these 37 breakers. The following are some preliminary results derived from a preliminary study of the questionnaires.

Data Concerning Bootleg Holes and those Working  
in these Holes

The following are the results that have been obtained from questionnaires covering 253 bootleg holes. These holes employ 980 men, of whom 666 have been personally questioned.

- (1) The average length of time the bootleg holes have been operated by the bootleg miners now found there is six (6) months.
- (2) Of the holes thus far studied, 95% are partnership affairs, 4% are family enterprises, and 1% are individually operated.
- (3) Of the total number of workers, 98% work on a full time basis. The remaining 2% work part time.
- (4) Of the total number of bootleg miners, 46% say they have anthracite miners' certificates.
- (5) Of the total number of bootleg miners, 4.6% are at present employed on W.P.A. projects. 1% have regular employment in private industry.

- (6) The present average weekly rate of earnings per worker per mine is \$16.00. The average number of hours worked per day per mine is 8, and the average number of days worked per week is 5.
- (7) The average sales price of coal at the mine at present is \$2.70 per ton; three months ago, the price per ton was \$3.04.
- (8) Of the bootleg miners personally questioned, 62% say that they were formerly engaged in legal mining, and 46% as stated above say that they have anthracite miners' certificates. 38% were not previously miners. The average age of the bootleg miners questioned is 32.6 years. The average age of those who previously had some occupation is 36 years. The average age of the 21% who never had any occupation is 20 years.
- (9) Of the former miners now engaged in bootlegging, the stated average length of service in a legal mine is 18 years. Of these former miners, 2% say they last worked in a legal mine before 1925; 34% between 1925 and 1932; the remaining 64% last worked in a legal mine within the past six years. Of the former miners who are now engaged in bootleg mining, 75% say they have anthracite miners' certificates.
- (10) Of the total number of bootleg miners, 98% say they have lived within or near the coal region for at least ten years past.

- (11) The average length of time the present bootleg miners have been engaged in bootleg mining is 2 years.
- (12) 88% of the bootleg miners state they are native born citizens of the United States; 11% are naturalized citizens; 1% are aliens.
- (13) The percentage of those who are married is 51; widowed 3%; single 46%; divorced, less than 1%.
- (14) The average number per family is 5. In each family, the average percentage employed is 9%.
- (15) Of the total number of bootleg miners, the percentage who declare they are at present on relief is 11; the percentage who declare they were formerly on relief is 32. The percentage claiming present employment on W.P.A. is 4.6, (as stated above) making a total of 15 at present either on W.P.A. or relief.

Data Concerning Bootleg Breakers and those  
Working in these Breakers

The following are the results obtained from questionnaires covering 37 bootleg breakers. These breakers employ 122 workers, of whom 77 have been personally questioned.

- (1) All the breakers are individual enterprises. 95% of the operators own their own breakers.
- (2) The average investment in each breaker is \$856.
- (3) The average length of time of operation of the present breakers to date has been 2 years.
- (4) Of the total number employed by the breakers, 64% are

engaged in actual breaker work, 33% are on trucks, and 3% are engaged in other occupations at the breaker.

- (5) The average present weekly earnings or profits of the breaker owners is \$75. Workers hired by the breaker owners receive wages averaging about \$12 a week.
- (6) The average price received per ton for coal sold at the breaker is \$2.00 for buckwheat, \$4.00 for pea, and \$5.00 for nut.
- (7) For coal bought at the breaker the estimated average price per ton is \$3.50, and for coal bought at the mine, the estimated average price per ton is \$2.70.
- (8) The average number of hours worked per day is 8, and the average number of days worked per week is  $5\frac{1}{2}$ .
- (9) Of the total coal sold by bootleg breakers, 12% is sold locally, 7% is sold outside of a 20-mile radius by trucks owned by the bootleg breakers, and 81% is sold to truckers who sell the coal more than 20 miles away.
- (10) Of total breaker workers personally questioned, 46% stated they were formerly engaged in legal mining, the remaining 54% being non-miners. Of the total bootleg breaker workers, 34% never had any previous employment, The average age of the workers in and around the bootleg breakers is 31 years. The average age of those who have had some other previous employment is 33 years. The average age of the 34% who never had any previous employment is 19 years.



- (11) Of the former miners who are now engaged in breaker operations, 36% say they have anthracite miners' certificates.
- (12) Of the total number of bootleg breaker workers, 96% say they have lived within or near the coal region for the past ten years or more.
- (13) The percentage who say they are native born citizens of the U. S. is 97; the percentage of naturalized citizens is 3; none are aliens.
- (14) Concerning marital status, 49% are married, 2% are widowed, 1% are divorced, and 48% are single.
- (15) The average number per family is 5. In each family, the average percentage employed is 13%.
- (16) Of the bootleg breaker workers, 5% say they are at present on relief, and 18% that they were formerly on relief. The percentage claiming present employment on W.P.A. is 4, making the total percentage on either W.P.A. or relief at present 9.





















































#0368  
228









